Greb Industries Limited Annual Report 1972

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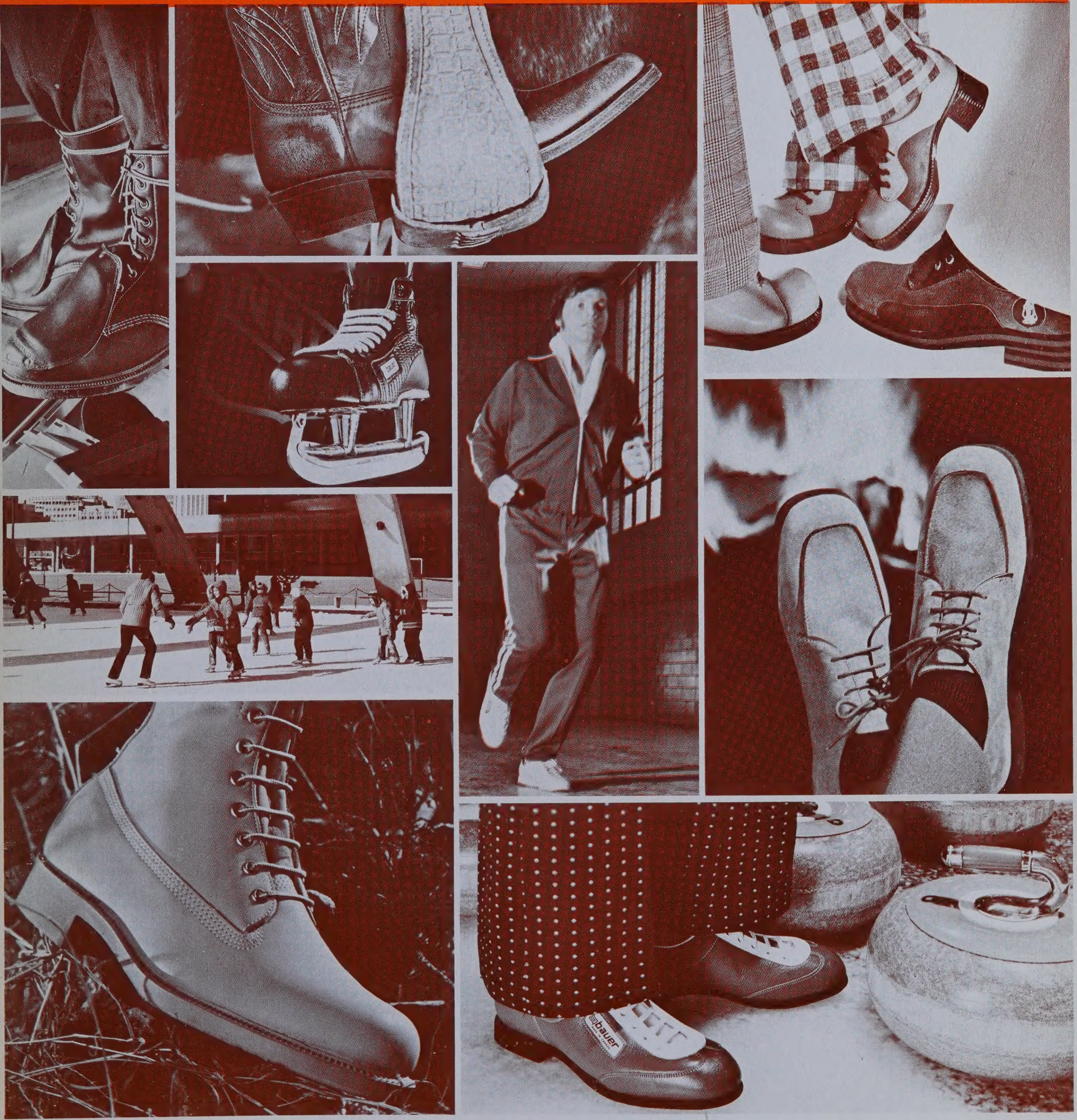


directors

Arnold C. Austen, *C.A., Vice-President, Finance*

John D. Campbell, *Vice-President, Marketing*

Arthur C. Greb, *Secretary*

Charles E. Greb, *Executive Vice-President*

Harry D. Greb, *President*

Ross E. Hahn, *Vice-President, Manufacturing*

Mervyn L. Lahn, *Deputy General Manager*
The Canada Trust Company

Peter B. Mason, *President*
B.F.Goodrich Canada Limited

John A. Pollock, *President*
Electrohome Limited

officers

Harry D. Greb, *President*

Charles E. Greb, *Executive Vice-President*

John D. Campbell, *Vice-President, Marketing*

Ross E. Hahn, *Vice-President, Manufacturing*

Arnold C. Austen, *C.A., Vice-President, Finance*

Arthur C. Greb, *Secretary*

George A. Klugman, *Treasurer*

HEAD OFFICE

51 Ardelt Avenue,
Kitchener, Ontario

TRANSFER AGENT & REGISTRAR

Canada Permanent Trust Company

SOLICITORS

Clement, Eastman, Dreger,
Martin & Meunier

AUDITORS

Thorne, Gunn & Co

ANNUAL MEETING

The annual meeting of shareholders will be held at the head office of the Corporation, 51 Ardelt Avenue, Kitchener, Ontario, at 2:00 p.m. E.S.T., on April 26, 1973.

CONTENTS

highlights of the year

	1972	1971
OPERATING RESULTS		
Fiscal Years Ended	October 28	October 30
Net Sales	$27,055,515	$22,613,233
Net Income	920,868	469,063
Percent of sales	3.40%	2.07%
Per share – Class B and Class C	1.33	.65
Dividends declared – Class B and Class C	143,141	148,970
Per share (i)	.24	.24
FINANCIAL POSITION		
At year ends		
Working Capital	$ 4,973,931	$ 4,581,304
Current ratio	1.41	1.50
Shareholders' equity – Class B and Class C	6,094,108	5,362,698
Per share	9.04	7.96
OTHER DATA		
At year ends		
Number of employees	1,509	1,425
Number of shares outstanding – Class B and Class C	673,835	673,835

(i) Dividends declared on the Class C shares are equivalent to the dividends declared on the Class B shares after consideration of the 15% tax paid by the Corporation on undistributed income.

to our shareholders

The fiscal year 1972 was encouraging for your corporate management in that we were able to witness a new record level of performance in each quarter throughout the year. It has given us renewed confidence in respect of our past efforts and a more aggressive attitude in planning for the future.

Net sales for the year ended October 28, 1972 were 19.6% above the previous year to a new company record of $27,055,515. Net income for 1972 increased 96.3% to $920,868 or $1.33 per share, which was also a new record.

Fourth quarter results were at record levels with sales 19.2% ahead and earnings 81.5% above last year. We have now achieved five consecutive quarters in which sales and earnings have consistently produced substantial gains. This improvement is mainly attributable to the very strong growth in the Bauer ice skate product line and, to a lesser degree, sales increases in the Greb footwear category.

Capital assets amounting to $416,188 were acquired in the fourth quarter of 1972, compared with an aggregate amount of $373,830 in the previous three quarters. The higher fourth quarter purchases included some items originally scheduled for the early part of fiscal 1973. Most of these purchases are eligible for the proposed faster write off on manufacturing machinery and equipment. Notwithstanding this action, working capital increased $392,627 for the year, compared with a decrease of $10,314 in the previous year.

We have been successfully marketing a quality range of hockey jerseys and socks for the past two years. In order to be assured of an adequate supply of this product in the future for the rapidly expanding United States market, an important distributorship agreement was concluded with our supplier in October.

A large manufacturing facility in Bangor, Maine has recently been leased to provide increased productive capacity for Bauer products for the United States market. This modern, one storey plant of 63,000 square feet is expected to be operational in May, 1973 and will manufacture boots for skating outfits, with the blades being supplied from Canada. We plan to increase production at this location as quickly as possible, utilizing the large number of experienced footwear workers available in the area. It is anticipated that this plant will become a major production unit and, in a few years, supply a large part of our total United States market requirements.

Sales and earnings for the first sixteen weeks of the 1973 fiscal year are showing favorable gains and it is anticipated that this trend will continue.

During the year Messrs. Roland A. Harris, David C. H. Stanley and Carl F. Ritz resigned as Directors of our Corporation. In our fourth quarter report we announced that Mr. M. L. Lahn, Deputy General Manager of The Canada Trust Company, London, Ontario and Mr. J. A. Pollock, President of Electrohome Limited, Kitchener, Ontario, had been appointed Directors of our Corporation.

We are now pleased to advise that Mr. Peter B. Mason, President of B.F.Goodrich Canada Limited, has been appointed a director to fill the remaining vacancy on our Board.

A more detailed review of the year will be found elsewhere in this report.

We extend to our management personnel, employees, customers, suppliers and shareholders our thanks for their support during the year.

Kitchener, Ontario
March 23, 1973

Harry D. Greb
President

CONSOLIDATED STATEMENT OF INCOME

Year ended October 28, 1972
(with comparative figures for 1971)

	1972	1971
Net sales	$27,055,515	$22,613,233
Income before undernoted items	2,745,761	2,009,644
Aggregate direct remuneration of directors and senior officers (as defined by The Business Corporations Act)	196,930	193,940
Depreciation	508,237	442,970
Interest on long term debt	200,614	215,625
Other expenses – not regular operating costs	62,985	163,945
	968,766	1,016,480
Income before income taxes	1,776,995	993,164
Income taxes		
Current	772,548	518,687
Deferred	83,579	5,414
	856,127	524,101
Net income for the year	$ 920,868	$ 469,063
Net income per share, after provision for preference dividends	$1.33	65¢

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

Year ended October 28, 1972
(with comparative figures for 1971)

	1972	1971
Balance at beginning of year	$ 3,366,198	$ 3,086,855
Net income for the year	920,868	469,063
	4,287,066	3,555,918
Deduct		
Cash dividends		
Class A preference shares	28,000	28,000
Class B participating shares	27,429	
Class C participating shares	79,782	35,000
Common shares	10,430	41,720
	145,641	104,720
Stock dividends of 127,500 (361,250 in 1971) Class B shares on Class C shares	25,500	72,250
	171,141	176,970
Tax paid on undistributed income	18,317	12,750
	189,458	189,720
Balance at end of year	$ 4,097,608	$ 3,366,198

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Year ended October 28, 1972
(with comparative figures for 1971)

	1972	1971
SOURCE OF FUNDS		
Operations		
Net income for the year	$ 920,868	$ 469,063
Items not involving current funds		
Depreciation	508,237	442,970
Deferred income taxes	83,579	5,414
	1,512,684	917,447
Sale of fixed assets	32,060	16,628
Increase in insurance policy loans	15,647	
	1,560,391	934,075
APPLICATION OF FUNDS		
Additions to fixed assets	790,018	566,078
Principal on long term debt, reclassified under current liabilities	179,000	179,000
Dividends	171,141	176,970
Tax paid on undistributed income	18,317	12,750
Increase in life insurance, cash surrender value	9,288	9,591
	1,167,764	944,389
INCREASE (DECREASE) IN WORKING CAPITAL	392,627	(10,314)
Working capital at begining of year	4,581,304	4,591,618
Working capital at end of year	$ 4,973,931	$ 4,581,304

(Incorporated under the laws of Ontario)

CONSOLIDATED BALANCE SHEET — OCTOBER 28, 1972

(with comparative figures at October 30, 1971)

ASSETS	1972	1971
CURRENT ASSETS		
Accounts receivable	$ 9,064,065	$ 7,253,310
Inventories		
Raw materials, at the lower of cost and replacement cost	2,741,726	1,936,186
Work in process, at the lower of cost and net realizable value	792,984	689,201
Finished goods, at the lower of cost and net realizable value	4,336,558	3,772,083
Prepaid expenses	146,633	184,012
	17,081,966	13,834,792
OTHER ASSETS		
Life insurance, cash surrender value, less policy loans of $173,910 ($158,263 in 1971)	25,652	32,011
Investment in subsidiary company, at cost (note 1)	51,055	51,055
	76,707	83,066
FIXED ASSETS, at cost		
Land	222,258	205,929
Buildings	3,176,825	3,095,895
Machinery and equipment	3,267,058	2,914,664
Dies, lasts, patterns and moulds	441,599	365,024
	7,107,740	6,581,512
Less accumulated depreciation	2,897,837	2,621,330
	4,209,903	3,960,182
	$21,368,576	$17,878,040

Approved by the Board

Harry L. Greb Director

a.e. austen Director

LIABILITIES	1972	1971
CURRENT LIABILITIES		
Bank advances, against which receivables and inventories have been pledged	$ 8,887,316	$ 7,048,080
Accounts payable and accrued liabilities	2,464,669	1,747,613
Income and other taxes payable	541,295	242,865
Dividends payable	35,755	35,930
Principal due within one year on long term debt	179,000	179,000
	12,108,035	9,253,488
LONG TERM DEBT (note 2)	2,172,000	2,351,000
DEFERRED INCOME TAXES	434,433	350,854
SHAREHOLDERS' EQUITY		
Capital stock (note 3)	2,556,500	2,556,500
Retained earnings	4,097,608	3,366,198
	6,654,108	5,922,698
	$21,368,576	$17,878,040

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended October 28, 1972

1. SUBSIDIARY COMPANIES AND BASIS OF CONSOLIDATION

The subsidiary companies consolidated in these financial statements are Greb Shoes Limited, Greb Realty Limited, Canada Skate Company Limited, Bauer Canadian Skate, Inc. and Collins Safety Shoes Limited.

During the year Greb Realty Limited and The Western Shoe Company Limited were amalgamated under the name of Greb Realty Limited and The Canada Skate Manufacturing Company Limited and The Tebbutt Shoe and Leather Company (Limited) were amalgamated under the name of Canada Skate Company Limited.

The accounts of Bauer Canadian Skate, Inc. have been converted into Canadian currency on the following basis: current assets, liabilities and operating accounts except depreciation, at a rate of exchange of .98 ($1.00 in 1971) and fixed assets and depreciation, at par of exchange.

As in prior years, the accounts of Metro Marine Limited, a controlled company, are not consolidated because its operations are dissimilar. The company's proportion of the net income of Metro Marine Limited for the year ended December 31, 1971 amounted to $2,766 and the company's proportion of the adjustment of prior years' income amounted to a loss of $5,120. The accumulated net income since acquisition, which amounted to $16,525, is not reflected in the company's financial statements.

2. LONG TERM DEBT

	1972	1971
6¾% Secured sinking fund debentures, Series A, maturing November 15, 1981	$ 628,000	$ 690,000
7% Secured sinking fund debentures, Series B, maturing November 15, 1981	448,000	490,000
9% Secured sinking fund debentures, Series C, maturing May 15, 1989	1,275,000	1,350,000
	2,351,000	2,530,000
Less principal included in current liabilities	179,000	179,000
	$2,172,000	$2,351,000

Under provisions of the debenture trust deed and supplementary debenture trust deeds, the company is obligated to set aside amounts sufficient to retire out of sinking fund moneys, $62,000 principal amount of Series A debentures and $42,000 principal amount of Series B debentures, on November 15 in each year up to and including 1980 and $75,000 principal amount of Series C debentures on May 15 in each year up to and including 1988.

Under provisions of the debenture trust deeds for Series A and Series B, the company may redeem the whole or any part of the Series A or Series B debentures outstanding up to November 15, 1981, at amounts varying from 108.25% to 100.00% of the principal amount redeemed.

Under provisions of the debenture trust deeds for Series C, the company may redeem the whole or any part of the Series C debentures outstanding on or after May 15, 1974 and up to May 15, 1989, at amounts varying from 107.00% to 100.00% of the principal amount redeemed.

The debenture trust deeds contain certain restrictions relating to the payment of dividends.

3. CAPITAL STOCK

Capital stock consisted of the following as at October 30, 1971:

Authorized

31,200	Class A preference shares, par value $100 per share, issuable in series	
5,898,380	Class B non-cumulative redeemable shares, par value 20¢ per share	
716,500	Class C participating shares without par value convertible into an equal number of common shares	
1,533,500	Common shares without par value	

Issued

5,600	5% Cumulative redeemable Class A preference shares, first series	$ 560,000
500,000	Class C shares	487,162
173,835	Common shares	1,509,338
		$2,556,500

Articles of Amendment were issued effective March 20, 1972 and capital stock consisted of the following as at October 28, 1972:

Authorized

31,200	Class A preference shares, par value $100 per share, issuable in series	
977,098	Class B participating shares without par value, convertible into an equal number of Class C participating shares (after giving effect to the net conversion of 22,902 shares into Class C participating shares during the year)	
1,022,902	Class C participating shares without par value convertible into an equal number of Class B participating shares (after giving effect to the net conversion of 22,902 shares from Class B participating shares during the year)	
1,000	Common shares without par value	

Issued

5,600	5% Cumulative redeemable Class A preference shares, first series	$ 560,000
150,933	Class B shares	
522,902	Class C shares	1,996,500
		$2,556,500

AUDITORS' REPORT

To the Shareholders of Greb Industries Limited

We have examined the consolidated balance sheet of Greb Industries Limited and subsidiary companies as at October 28, 1972 and the consolidated statements of income, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at October 28, 1972 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Kitchener, Ontario
January 5, 1973

Thorne Gunn & Co.
Chartered Accountants

subsidiary companies

10 YEAR CONSOLIDATED OPERATING AND FINANCIAL REVIEW

Figures in thousands except per share data

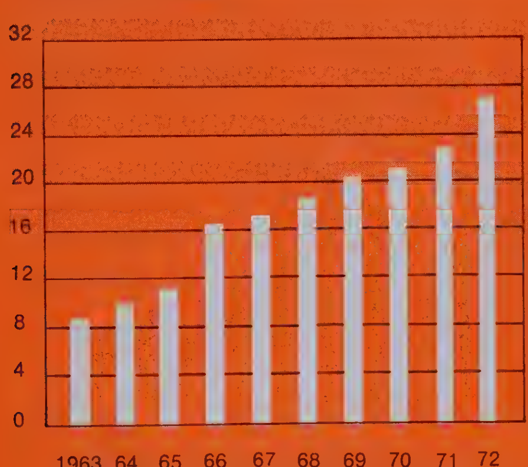
Years ended	*1972*	*1971*	*1970*	*1969*	*1968*	*1967*	*1966*	*1965*	*1964*	*1963*
OPERATING RESULTS										
Net sales	$27,056	$22,613	$21,188	$20,483	$18,795	$17,363	$16,193	$11,230	$ 9,913	$ 8,643
Income before undernoted items	2,549	1,816	1,684	1,583	1,859	1,727	1,833	1,181	1,096	784
Depreciation	508	443	412	389	315	266	223	118	83	71
Interest on long term debt	201	216	229	146	112	116	122	81	85	22
Non regular operating expenses (income)	63	164	25	97	36	45	(21)	42	3	78
Income taxes	856	524	541	486	729	656	766	462	474	285
Net income	921	469	477	465	667	644	743	478	451	328
Percent of sales	3.4%	2.1%	2.2%	2.3%	3.5%	3.7%	4.6%	4.3%	4.5%	3.8%
Total dividends declared	171	177	172	320	320	318	233	46	46	27
FINANCIAL POSITION AT YEAR END										
Working capital	$ 4,974	$ 4,581	$ 4,592	$ 4,364	$ 3,331	$ 3,801	$ 4,060	$ 2,958	$ 1,648	$ 1,568
Current ratio	1.41	1.50	1.57	1.55	1.45	1.60	1.82	1.62	1.70	1.83
Fixed assets (net)	4,210	3,960	3,854	3,984	3,603	2,773	2,169	1,379	907	570
Long term debt	2,172	2,351	2,530	2,709	1,388	1,492	1,596	1,700	1,154	1,154
Shareholders' equity — Class B and Class C	6,094	5,363	5,083	4,801	4,742	4,509	4,117	2,172	1,144	740
Shares outstanding — Class B and Class C	674	674	674	674	674	674	674	539	505	505
PER SHARE IN DOLLARS — CLASS B AND CLASS C										
Net income	$ 1.33	$ .65	$ .67	$ .65	$ .95	$ .91	$ 1.06	$ .85	$ .85	$ .65
Dividends declared	.24	.24	.24	.48	.48	.48	.33¾	.05	.05	.05
Shareholders' equity	9.04	7.96	7.54	7.12	7.04	6.69	6.11	4.03	2.27	1.47

The above 10 year review includes -

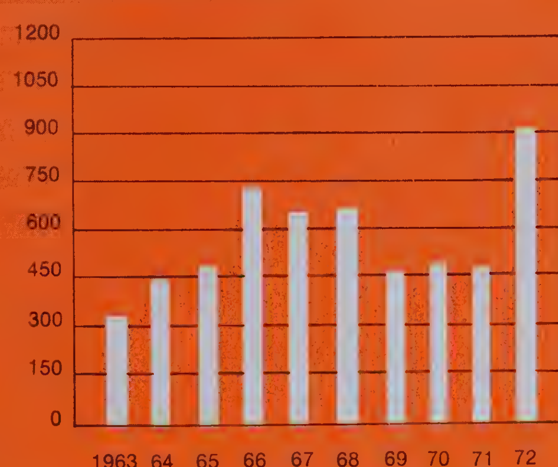
The following companies from date of acquisition – The Western Shoe Company Limited, The Canada Skate Manufacturing Company Limited and Bauer Canadian Skate, Inc. as of October 29, 1965, The Tebbutt Shoe and Leather Company (Limited) as of October 31, 1966, and Collins Safety Shoes Limited as of June 18, 1969.

Adjustment of shares outstanding to reflect a capital stock subdivision and reclassification into Class C and common on February 18, 1966, and reclassification of common into Class B on March 20, 1972.

Net Sales
Millions of Dollars



Net Income
Thousands of Dollars



operating progress

MARKETING

The Corporation produced and sold well over two million pairs of footwear during the fiscal year 1972. This volume was produced in seven manufacturing plants located in Kitchener, Ontario (five), Winnipeg, Manitoba and Trois Rivieres, Quebec. Warehouses are located in the above cities plus Vancouver, B.C., Toronto, Ontario and North Tonawanda, New York.

The Greb, Bauer and Collins divisions all contributed to the overall sales increase of 19.6% for the year. The major gain, however, was in the Bauer division due to a spectacular increase in demand for our ice skates both in Canada, the United States of America and other countries.

The footwear industry in general has been plagued with serious low cost import competition, over capacity and other problems for a number of years. Your Corporation has concentrated on marketing areas that have allowed us to show favorable results in spite of these generally poor industry conditions. Most Greb products are designed for today's trend to leisure, athletic and outdoor activities. By concentrating on these areas, we have been able to develop a range of products that is much less sensitive to competition from foreign low labour cost countries.

Your Corporation has in fact been successfully marketing Canadian developed products in world markets. Export sales have become a significant part of total sales. We are currently exporting to some 19 countries throughout the world.

The major portion of this export volume is going to the United States, but exports to other countries are growing at a satisfactory rate. The products being exported are mainly Bauer Skating Outfits, Kodiak Sporting, Safety and Work boot styles, and Hockey Jerseys and Socks.

The Collins Safety Shoe division had a very successful year in 1972. Collins was acquired by Greb in 1969 and has undergone a major re-organization over the past three and one half years.

This division specializes in the retail and wholesale distribution of Safety footwear, clothing and other accessories. This is accomplished by a fleet of mobile "stores" covering territories from Calgary to Quebec City.

These trucks offer in-plant fitting service of Safety footwear and other items on a retail basis. With the increasing emphasis being placed on safety equipment, these services offer industry a convenient way to distribute products to their employees without the necessity of warehousing the products themselves or allowing time off work for their employees to purchase the products elsewhere. The trucks are parked at a convenient location on company premises and the employees make their purchases during lunch or break periods. In most cases the companies provide payroll deductions for the purchases, and in many cases subsidize the purchases on a partial or complete basis.

FACILITIES

While there were no new production facilities built or acquired in 1972, present productive capacity was increased through modernization and internal changes.

A new manufacturing line was set up, using former warehouse space, in the Bauer Boot Plant in Kitchener to manufacture the top end of the Bauer Skating Boot line exclusively. This separate facility has not only expanded our capacity to produce these high cost boots, but has also enabled us to install a rigid quality control program.

The dramatic increase in demand for Skating Outfits has taxed the capacity of our skate blade manufacturing facilities to the limit. The capacity of this plant located in Kitchener is being expanded considerably by the addition of automated equipment and improvements in production flow.

Bauer Skating Boots are presently being produced on the two production lines in the main boot plant in Kitchener as well as in our Winnipeg plant. All three of these facilities are presently running at near capacity. In order to meet anticipated sales demand for 1973, more productive capacity is required in the immediate future.

As the major increase in demand for Skating Outfits is coming from the United States market, a new production facility will be opened in Bangor, Maine. It is expected that this plant will come on stream during May of 1973 and will manufacture boots for Skating Outfits with the blades being supplied from Canada.

The plant facilities in Bangor have been leased on a long term basis with an option to purchase. The plant itself is a 63,000 square foot, modern, one storey building. It was originally built and used as a footwear manufacturing facility and is ideally suited for our purposes.

The Bangor area has a large number of experienced footwear workers available and the necessary machinery to produce boots of this type is readily available.

Left: Aerial view of new Bangor, Maine production facility.

ADVERTISING AND SALES PROMOTION

During 1972 Greb advertising returned to television as the dominant medium. A new television commercial was produced in full colour featuring the "new generation" theme and was shown across Canada during the Spring. This television campaign made Canadians aware of the wide range of contemporary patterns available in Hush Puppies. The Television campaign was supported by display cards in most public transit systems, and by attractive point of sale material tied into the theme of the campaign.

During the year numerous in store promotions and meetings with retail sales personnel were held in an effort to acquaint the retail sales clerk with the special features of Hush Puppies.

A similar overall approach is programmed for 1973. The new television commercial and supporting material will be on the combined theme of comfort and style offered by Hush Puppies.

Bauer advertising in 1972 was mainly in print media using week-end supplements and sports publications both in Canada and the United States. The slogan – "Bauer, the official skate of the N.H.L." appeared prominently in all advertisements.

The program for 1973 will use the same media and will concentrate on the many new concepts in design and materials that have been incorporated in the Bauer range.

major product lines

Hush Puppies

The exclusive license to manufacture and distribute Hush Puppies in Canada continues to make a significant contribution to the Corporation's success. Many similar shoes continue to be offered on the Canadian market coming both from domestic and foreign sources. The superior styling, quality and general acceptance by the consumer continue to make Hush Puppies the largest selling casual shoe in Canada.

Although Hush Puppies sales in recent years have declined, there has been an encouraging reversal of this trend so far in 1973. We believe this is largely due to the Corporation's concentration in 1972 on the re-styling of the basic Hush Puppies line and the introduction of new styling that appeals to the 16 to 25 year age group. The Corporation feels that brand recognition with the younger generation is extremely important for future sales growth.

All Hush Puppies styling, regardless of the age group it is designed for, considers first and foremost the original "Barefoot Comfort" concept that made Hush Puppies what they are today.


bauer

bauer

During 1972 Bauer products produced the largest sales increase in their history. This increase was largely applicable to ice skates but other Bauer products including Hockey Jerseys and Socks, Curling and Jogging shoes also produced good gains. The only limiting factor to an even greater increase was the production capacity of our manufacturing facilities. Production was increased very substantially, but even this expansion was not sufficient to meet consumer demand throughout the year.

The emphasis placed on product development over the past two years has contributed greatly to the major growth in Bauer. A new approach in design and styling using materials such as Nylon, Velcro and other "man-made" components has improved the Hockey Skate range not only in appearance, but in other areas as well, such as lightness, comfort and durability. This has been a program of innovation that has resulted in creating virtually a new product that has not been offered on the market previously.

The Hockey Skate range covers all markets from the youthful beginner to the top professional. The Velcro closing designed particularly for small boys not only gives excellent support but has proven to be a great assist for parents when helping their sons put on their skates. The top line of Bauer Supremes has utilized a specially treated Nylon upper and has been adopted by a major portion of professional hockey players.

During 1972 the men's and ladies' Figure Skate range was completely redesigned and has been introduced to the market recently. Early results so far in 1973 indicate substantial gains for Bauer in this important segment of the market.

In 1971 Bauer commenced marketing a complete range of hockey jerseys and socks as a complementary line to its hockey skates. This quality line, manufactured by a prominent Canadian manufacturer, has had a strong consumer acceptance for many years. Considering our significant sales growth to date and the large market potential, your Corporation concluded in October an important distributorship agreement with this supplier for the United States market.

KODIAK

Kodiak is the trade mark used on Greb footwear manufactured for use in industry, outdoor work, hunting, fishing, hiking etc. This footwear is manufactured by the Goodyear Welt, Cement and High Pressure Vulcanizing processes. A record sales increase was achieved in 1972 for the Kodiak range.

The famous Kodiak Waterproof Leather boot, which has been a favorite for years, has found a large new market in several areas. These areas range all the way from the ardent hiker to the casual weekend stroller and are also being worn by high school and university students in increasing numbers. The export market for these boots in the United States continues to expand at a satisfactory rate.

major product lines

Steel Toe footwear has shown a sharp increase in 1972 as the trend towards more safety in industry continues. Innovations made in 1972 in such areas as metatarsel protection and puncture proof soling, along with the traditional steel safety toe, were also factors in the increased sales.

During the year the Corporation continued to manufacture, under a government contract, the Canadian Army Combat Boot in the high pressure vulcanized process. This boot is very similar in design and construction to our popular Kodiak Waterproof Leather boot. In 1972 we received a contract from the Canadian Armed Forces for a Goodyear Welt boot that is being manufactured in our Winnipeg plant for phased delivery in 1972 and 1973.

Many years of development work in the field of Military type footwear have made Greb a recognized authority in this area. Late in 1972 the Corporation was successful in securing a contract to supply 40,000 pairs of Army Combat boots to the government of Tanzania. This contract will be produced throughout 1973 and into 1974.

acme

During 1972 Greb continued to manufacture and distribute the famous Acme Cowboy Boots and Dingo Boots in Canada. This is done under exclusive license from the Acme Boot Company, Inc. of Clarkesville, Tennessee. Although our sales declined in 1972, we believe boots in general are subject to style cycles and this cycle appeared downward during 1972. The main market for Cowboy Boots is in Western Canada plus the riding enthusiasts throughout the rest of the country. There is an increasing interest in western riding throughout Canada and in Southern Ontario in particular. There are over 20,000 registered western riders in Southern Ontario and on the average these riders own three pairs of boots. Once again this would indicate a potential market directed to a specific section of today's leisure living.

The Acme and Dingo ranges have been restyled using man-made materials where possible. This will have the effect of making the range more competitive and enlarging our potential market.

andré

Reference was made in the Corporation's 1971 Annual Report to this revolutionary process for the manufacturing of footwear uppers.

This is a highly technical operation involving high-frequency flow moulding of P.V.C. materials to produce shoe uppers. The process eliminates a large portion of the labour content required in conventional construction. It also allows the use of much lower priced materials than leather. Test marketing of these shoes was purposely delayed in order to be sure that all technical problems were completely overcome and to be sure that the styling of the shoes would be acceptable to the volume market for men's dress shoes in Canada.

All details are now completed and these shoes will be offered by one of Canada's leading retail department stores in a test market area in the Spring of 1973.